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# Lease Calculator

**Fixed Rate** **Fixed Pay**

Asset Value

Residual Value

Lease Term  years  
 months

Monthly Payment

**Calculate**

Result	
<b>Interest/Return Rate</b>	<b>20.638%</b>
Total of 48 Monthly Payments	\$10,638.24
Total Interest	\$3,435.77


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### What is a Lease?

A lease is a contract made between a lessor (the legal owner of the asset) and a lessee (the person who wants to use the asset) for the use of an asset, bound by rules intended to protect both parties. In a typical contractual agreement, the lessee obtains the right to use an asset or multiple assets belonging to the lessor for a specific term in return for regular rental payments. Leasing is often associated with living spaces, working spaces, and cars, but mostly anything that can be owned can be leased. Other examples of leasable items include storage, conveyor belts, lighting, furnishings, software, server hardware, aircraft, cleaning equipment, and many more.

### Rent vs. Lease

Although they are often used interchangeably, "lease" and "rent" technically have different meanings. By definition, a lease refers to the contractual agreement or contract itself, while rent refers to the periodic payment for the use of an asset. In neither case is equity of the asset being rented or leased actually gained.

### Residual Value

Residual value, sometimes called salvage value, is an estimate of how much an asset will be worth at the end of its lease. It is most commonly associated with car leasing. As an example, a car worth \$30,000 that is leased for 3 years can have a residual value of \$16,000 when the lease ends. Residual value is not exclusive to car leases, but can be leases of any type of asset, as long as it depreciates and can be sold at value once again. For most assets, the longer the lease period, the lower the residual value. One exception to this is real estate assets, which may have higher residual values after the lease period. The term "residual value" is also often used to refer to the value of an asset after depreciation. For more information or to do calculations involving depreciation, use the [Depreciation Calculator](#).

### Leasing a Car

Auto leases enable people to drive new cars for a short term while under warranty, and without the financial burden associated with new car purchases. However, it generally costs more to lease a new car for a specific time period than it does to own it (assuming the cost of ownership is prorated over its expected life). Leasing used cars is possible, but not as prevalent. There are many factors to consider in an auto lease, such as the initial down payment, the amount of the monthly payment, the term of the lease, and the average accumulated miles in a year. One characteristic that is unique to car leasing is something called the money factor, which is an alternative method of presenting the amount of interest charged on a lease with monthly payments. Money factor, sometimes called "lease factor" or "lease fee," can be translated into the more common annual percentage rate (APR) by multiplying it by 2,400.

Monthly payments are mainly based on the difference between the cost of the new automobile (transaction price or capitalized cost), and what the car is forecasted to be worth at the end of the leasing period (residual value). Security deposits will most likely be required at signing. Additional charges may be imposed by dealers, so discuss all financing carefully before agreeing to a car leasing contract. Some lease contracts allow for the lessee to purchase the leased vehicle after the end of the lease. For more information or to do calculations regarding auto leases, use the [Auto Lease Calculator](#).

### Renting vs. Leasing Cars

Both leasing and renting vehicles involve the lessee paying for the right to use a vehicle owned by a lessor, but that's generally where the similarities end. Leasing a vehicle tends to be a longer time commitment, such as several years, while rented vehicle terms are much shorter. For example, some people rent for several days while their own car receives servicing or rent for a week or two while on vacation. Leased vehicles are normally offered at dealerships while rented vehicles can be found at car rental agencies.

### Business Leasing

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